

**COUNTY OF HOUGHTON, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended September 30, 2004**

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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan
401 E. Houghton Avenue
Houghton, MI 49931

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds and remaining fund information of the County of Houghton, Michigan as of and for the year ended September 30, 2004, and have issued our report thereon dated February 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the County of Houghton, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-2.

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, Board of the County of Houghton, Michigan, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 18, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Chairperson and Members
of the Board of Commissioners
County of Houghton
401 E. Houghton Avenue
Houghton, Michigan 49931

Compliance

We have audited the compliance of the County of Houghton, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The County of Houghton, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Houghton, Michigan's management. Our responsibility is to express an opinion on the County of Houghton, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Houghton, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Houghton, Michigan's compliance with those requirements.

In our opinion, the County of Houghton, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Honorable Chairperson and Members of
the Board of Commissioners
County of Houghton, Michigan

Internal Control Over Compliance

The management of the County of Houghton, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the County of Houghton, Michigan, as of and for the year ended September 30, 2004, and have issued our report thereon dated February 18, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 18, 2005

County of Houghton, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Program Title	CFDA Number	Pass through Grantor Number	Federal Expenditures
PRIMARY REPORTING UNIT			
Department of Agriculture:			
Pass through Michigan Department of Transportation			
Title III - County Projects Schools and Roads Grants	10.665	N/A	\$ 34,597
TOTAL DEPARTMENT OF AGRICULTURE			34,597
Department of Health & Human Services:			
Passed through Michigan Family Independence Agency:			
FOC - Incentive	* 93.563	N/A	47,726
FOC - Cooperative Reimbursement	* 93.563	CS/FOC-00-31001	179,443
FOC - Medical Support Enforcement Agreement	* 93.563	CS/MED-00-31001	15,944
PA - Cooperative Reimbursement	* 93.563	CS/PA-00-31002	21,663
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			264,776
Federal Emergency Management Agency:			
Passed through State Emergency Management Office:			
Civil Defense - State Shared Emergency Management Assistance	83.503	N/A	23,184
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			23,184
Department of Commerce:			
Passed through Department of Consumer & Industry Services:			
Community Development Block Grant	* 14.228	M-2002-0739	263,281
Community Development Block Grant	* 14.228	VSC-2003-0739-HOA	196,310
TOTAL DEPARTMENT OF COMMERCE			459,591
U.S. Department of Homeland Security			
Passed through Michigan State Police:			
2003 State Homeland Security Grant Program Exercise Grant Agreement	97.004	N/A	8,000
Hazard Mitigation Grant Agreement	83.548	FEMA-1346-DR-MI	58,960
2003 State Homeland Security Grant Program Part II Training Grant Agreement	97.004	N/A	1,070
2003 State Homeland Security Grant Program Part II Solution Area Plan	97.004	N/A	12,750
Domestic Preparedness Grant	97.004	N/A	80,777
TOTAL DEPARTMENT OF HOMELAND SECURITY			161,557
DISCRETELY PRESENTED COMPONENT UNITS			
WESTERN U.P. DISTRICT HEALTH DEPARTMENT:			
Department of Agriculture:			
Passed through Department of Community Health:			
Special Supplemental Food Program for Women, Infants, and Children	10.557	38-6004855	202,337
TOTAL DEPARTMENT OF AGRICULTURE			202,337
Department of Health & Human Services:			
Passed through Department of Community Health:			
Family Planning Services	93.217	38-6004855	43,669
Maternal and Child Health Services Block Grant:			
Family Planning	93.994	38-6004855	9,518
Oral Health	93.994	38-6004855	87,500
Case Management	93.994	38-6004855	8,040
Local MCH Program	93.994	38-6004855	45,279
Childhood Immunization	* 93.268	38-6004855	22,977
Case Management Services	93.778	38-6004855	5,031
Breast and Cervical Cancer Control Program	93.919	38-6004857	50,628
Bioterrorism - Focus A	* 93.283	38-6004856	105,648
Bioterrorism - Focus B	* 93.283	38-6004856	36,568
Bioterrorism - Focus E	* 93.283	38-6004856	12,985
Bioterrorism - Focus F	* 93.283	38-6004856	39,135
Bioterrorism - Focus G	* 93.283	38-6004856	48,698
Federal Vaccines shipped at cost	* 93.268	38-6004856	219,664
Passed through UPCAP:			
Home Injury Control	93.043	NA	16,267
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			751,607
HOUGHTON COUNTY ROAD COMMISSION:			
Department of Homeland Security:			
Passed through Emergency Management Division Michigan State Police			
USDA - NRCS Watershed Program	97.048	NA	25,956
FEMA Disaster	97.048	NA	82,601
TOTAL DEPARTMENT OF HOMELAND SECURITY			108,557
TOTAL FEDERAL FINANCIAL ASSISTANCE - REPORTING UNIT			\$ 2,006,206

* Denotes a Major Program

COUNTY OF HOUGHTON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2004

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Houghton, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Department of Health and Human Services is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's federal financial assistance.

NOTE C - PASS-THROUGH GRANTOR'S NUMBER:

The Pass-Through grantor's number represents the Facility's provider I.D. number. Such other I.D. numbers were not available or provided by State administering agencies.

COUNTY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2004

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified.
- Internal control over financial reporting:
 - ▶ No material weaknesses were identified.
 - ▶ There were reportable conditions reported (refer to Section II).
- Noncompliance items material to the financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
 - ▶ No material weaknesses were identified.
 - ▶ No reportable conditions not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None.

Major Programs

<u>CFDA #</u>	<u>Name of Federal Program:</u>
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93.563	FOC – Incentive
93.563	FOC – Cooperative Reimbursement
93.563	FOC – Medical Support Enforcement Agreement
93.563	PA – Cooperative Reimbursement
14.228	Community Development Block Grant
93.283	Bio-terrorism
93.268	Immunizations

- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? No.

Section II - Financial Statement Findings

- The following noncompliance item was noted:

#2004-1

Expenditures exceeded budget levels in certain categories and/or individual line items in various funds and component units of the reporting entity which is in violation of the Uniform Budgeting and Accounting Act (Public Act 621). We recommend the Board review the provisions of Public Act 621 and its budget policies.

- The following reportable condition was noted:

#2004-2

The 1996 DTRF Fund contains delinquent taxes from a few local units that were not included as part of the 1993 chargeback because of differences in the reconciliation with the local unit. We suggest these taxes either be resolved and chargeback in the current tax sale process or written off in the accounting records. Such activity is closely approaching the statute of limitations.

Section III - Federal Award Findings and Questioned Costs

- There were no findings and/or questioned costs identified.

COUNTY OF HOUGHTON, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2004

- There were no prior year single audit findings and/or questioned costs identified.